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[REDACTED]

MAY 11 1970 [REDACTED]

Gentlemen:

We have considered your application for exemption from Federal income tax as an organization described in Section 501(c)(7) of the Internal Revenue Code of 1954.

The information submitted discloses that you were incorporated under the nonprofit corporation laws of the State of [REDACTED] on [REDACTED].

The purposes of the organization, according to its Articles of Incorporation, are to own or lease and maintain one or more aircraft for the pleasure, recreation and use of members and their families.

The organization intends to permit each member and the members of his immediate family the use of the organization's 4-place single engine aircraft for hunting, fishing, camping, vacation trips and sight-seeing, one family at a time. The organization has one meeting annually during which officers are elected and financial matters are reviewed. Your organization indicates that the annual meeting is held primarily to meet requirements of state law.

The organization indicates that individuals desiring membership in the organization need only purchase an equal share of the property of the organization. All the funds of the organization are spent on the purchase and maintenance of equipment.

Section 501(c)(7) of the Code provides for exemption for clubs organized and operated exclusively for pleasure, recreation and other non-profitable purposes, no part of the net earnings of which inures to the benefit of any private shareholder.

Revenue Ruling 55-716, C.B. 1955-2, page 263, states that the term "club" as used in section 501(c)(7) of the Code contemplates the comingling

of members, one with each other, in fellowship. This ruling further states that personal contacts and fellowship must also play a material part in the life of an organization in order for it to come within the meaning of the term "club".

Revenue Ruling 69-633, C.B. 1969-2, page 126, states that since the principal activity of the applicant organization was rendering services to its members and there was no significant comingling of its members that the organization did not qualify for exemption under section 501(c)(7).

Revenue Ruling 70-32, C.B. 1970-1, page 132, related to an organization which owned and operated aircraft suitable for business or personal use by its members and reads in part as follows:

"the sole activity of the club involves the ownership, operation, and maintenance of the aircraft for use by the members. There is little comingling among members for social or recreational purposes." And Revenue Ruling 70-32 further states, "In order for a club to meet the requirement for exemption under section 501(c)(7) of the Code, there must be an established membership of individuals, personal contacts, and fellowships. Furthermore, a comingling of members must play a material part in the activities of the organization."

The size of the organization's aircraft limits the number of people its use may accommodate. The primary use of the organization's aircraft is for flights by an individual member and members of his immediate family for recreational purposes which are private and separate from the recreational activities and purposes of any other given member and his family. The organization neither expends funds for the purpose of fellowship of its members; nor does the organization provide for frequent activities which have as their purpose and make possible the comingling of members for their mutual recreational and social pleasure. You hold one meeting annually primarily for the purpose of electing officers and making financial reports to members. Because there is no significant comingling of the organization's members, it is concluded that the organization is not a club which is organized and operated exclusively for pleasure, recreation and other nonprofitable purposes.

Accordingly, we hold you are not entitled to exemption from Federal income tax as an organization described in section 501(c)(7) of the Code. You are required to file income tax returns annually with your District Director.

If you accept our findings, you do not need to take further action.

If you do not accept our findings, we recommend that you request a conference with a member of our Regional Office conference staff. Your request for a conference should include a written appeal giving the facts, law, and any other information to support your position as explained in the enclosed Publication 892.

You will then be contacted to arrange a date for a conference. The conference may be held at our Regional Office in San Francisco, California, or, if you request, at any mutually convenient District Office.

If we do not hear from you within 30 days from the date of this letter, this ruling will become final. If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,


District Director

Enclosure:
Publication 892